

February 1, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE UPDATE

Pursuit of County Position on Legislation

For the past two weeks there have been repeated rumors that the Governor, Legislative Leaders, labor unions and trial attorneys were close to agreement on a major workers' compensation package. Our Sacramento advocates and representatives from the Department of Human Resources have been closely following two bills, **SB 1156 (Burton)** and **AB 749 (Calderon)**, which seem to be the likely vehicles for such an agreement. Last night, Legislative Leaders announced that an agreement had been reached, which was then amended into AB 749 on the Senate floor.

We anticipate that the amended bill will be voted on by the Senate on Monday and, assuming passage, sent to the Assembly for concurrence with the Senate amendments, if possible, on Monday as well. Employer groups, who were excluded from negotiations, plan to seek a hearing in the Assembly Insurance Committee, which is chaired by the author of the bill. Our Sacramento advocates will support their efforts to secure a public hearing so that the impacts of this complex bill can be better understood and affected parties afforded a chance to testify before the Assembly acts.

AB 749 is long (121 pages), technical and complicated because of the number of changes it would make to the workers' compensation system. The Department of Human Resources and our staff, who only obtained a copy this morning, are in the process of analyzing the bill's impact on the County. However, it is clear that the bill will significantly increase the County's workers' compensation costs, which have risen dramatically in recent years.

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The bill includes major benefit increases such as a four-year phased increase in the maximum weekly benefit for temporarily disabled and totally and permanently disabled workers from \$490 currently to \$840 in 2005, after which it would be adjusted annually by a cost-of-living factor. The Department of Industrial Relations estimates that when fully implemented in 2005, the bill will result in a \$2.4 billion (approximately 17%) benefit increase. The bill also includes systemwide reforms sought by employer groups, such as increased reliance on managed care to treat injured workers and quicker resolution of disputes over appropriate medical treatment. The Department estimates the reforms will save employers \$1.5 billion a year. However, while employer groups welcome the reforms, they question whether the total savings will be that large.

Based on our preliminary analysis that the bill will have a substantial cost impact on the County, as well as the Board's opposition to SB 1156 (Burton), most of whose benefit increases are included in the new bill, **our Sacramento advocates will oppose AB 749.**

We will keep you advised.

DEJ:GK
IGR:zo

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County Counsel
Local 660
All Department Heads
Legislative Strategist
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants